

## Corporate Responsibility in a World of Cultural Diversity and Pluralism of Values

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**Abstract:** Business enterprises can play a pivotal role in the global implementation of the 2030 Agenda for Sustainable Development and support all efforts to realize a future we want for all. To do this, they must compete with integrity in a complex manner: on the one hand they have to be successful in a particular foreign market and understand the needs as well as live up to the expectations of its customers. They must, therefore, become “part of” the societies they are engaged in and, to a significant extent, adapt to their cultural features. On the other hand, international business enterprises must comply with international norms and live up to the expectations of media and civil society representatives in high-income countries. The author shows ways and means to manage the issues arising due to cultural diversity and normative pluralism. He recommends that transnational corporations develop a transcultural responsibility framework that builds upon the knowledge base about normative principles and values that at all times have been shared by all cultures, accepted by all religions, and supported by common practical experience. He also recommends amending leadership profiles accordingly.

**Keywords:** Corporate responsibility; cultural differences; sustainable development; global values; leadership profile; transcultural integrity

I do not want my house to be walled in  
on all sides and my windows to be stuffed.  
I want the culture of all lands to be blown  
about my house as freely as possible.  
But I refuse to be blown off my feet by any.  
[Mahatma Gandhi]

### Introduction

The facilitation and intensification of economic, social, political, and cultural interactions, as well as the resulting interdependencies due to the ongoing globalization, makes our times different from previous times. The prominent role that business enterprises are playing in these processes assigns them responsibilities that go far beyond a narrow economic comprehension. Reading the mainstream of globalization literature, one gets the impression that humanity is suffering from a capitalism that is contemptuous of human rights, deepening social disparities, destructive to the environment, and harmful to democracy — globalization, so it seems, by definition stands in the way of sustainable development for a future we want (UNCSD, 2012). While there is evidence for undesirable impacts of irresponsible corporate conduct, this is only part of the story.

Successful and responsible entrepreneurial engagement is one of the most important drivers of economic growth. Economic growth increases choices, widens opportunities, and makes all other development efforts easier to achieve. By creating employment and income, providing technical and managerial skills and social benefits, and bringing innovative solutions to economic, social, and environmental problems, corporate management can be a force for good: “It is companies, not abstract economic forces or governments, which create and distribute most of a society’s wealth, innovate, trade and raise living standards” (Birkinshaw & Piramal, 2005). This makes helping to promote globalization that is characterized by corporate responsibility, an important task.

Corporate responsibility comprehends essential commandments, such as the respect of human rights, fair labor conditions, the protection of the environment, and measures against corruption (UNGC, 2005). The understanding of these essential responsibilities, however, is different in different economic, social, and cultural contexts. This is even more so in corporate responsibility contents beyond the essentials: stakeholders living in different contexts have different needs and expectations. The cultural dimension of this difference is often neglected or misunderstood.

This is deplorable: among the most important “lessons learned” of people working internationally are significant differences in worldviews, value convictions, and cultural “programming of the mind” (Hofstede, 2001). The differences in beliefs about right or wrong, in social attitudes and in values systems between the different societal and professional groups result in different judgments about many political, social, and economic issues — naturally also about the content and depth of corporate responsibility. The task to find proper answers to the question of how to deal with this kind of pluralism in a way that is in harmony with the local cultural norms and yet acceptable from an international perspective is not on the priority list of top managers of most multinational business enterprises.

When dealing with cultural diversity and resulting normative pluralism, the preamble of UNESCO’s constitution (1945) — adopted in London on 16 November 1945 — serves as a valuable compass:

Ignorance of each other’s ways and lives has been a common cause, throughout the history of mankind, of that suspicion and mistrust between the peoples of the world through which their differences have all too often broken into war;

The wide diffusion of culture, and the education of humanity for justice and liberty and peace are indispensable to the dignity of man and constitute a sacred duty which all the nations must fulfill in a spirit of mutual assistance and concern;

A peace based exclusively upon the political and economic arrangements of governments would not be a peace which could secure the unanimous, lasting and sincere support of the peoples of the world, and that the peace must therefore be founded, if it is not to fail, upon the intellectual and moral solidarity of mankind.

A “clash of cultures” in the normative sphere of doing business is not likely to result in “war” or even a doomsday “clash of civilizations” scenario (Huntington, 1996). However, cultural misunderstandings can create insecurity if not friction; they are a challenge to mutual trust and, therefore, make international

economic cooperation and corporate success more difficult. That again constitutes a waste of scarce resources that could be invested for a peaceful, mutually beneficial, and sustainable global development. This essay is meant to contribute to a mostly unattended discourse about transculturally acceptable corporate responsibility concepts. Such concepts, implemented on a global base would significantly contribute to the creation of a “future we want” (UNCSD, 2012) and facilitate the implementation of the “2030 Agenda for Sustainable Development,” the new plan of action for people, the planet, and prosperity accepted by the international community on September 25, 2015 (UN Sustainable Development Knowledge Platform, 2015).

### **The Complexity of Corporate Responsibility**

In today’s social science and political discourse, the term “Corporate Responsibility” is used in as diverse manners as there are social doctrines, political ideologies and personal value premises. When I use the terms “Corporate Responsibility” or “Corporate Sustainability” in the current context, I do this on the background of the following assumptions:

The *business of business* is and will remain to be *business*. As a consequence, companies will “use (their) resources and engage in activities designed to increase their profits” (Friedman, 1962, p133). Profits, as understood here, are sustained proceeds from creating value in a company’s core competence. They are *not* an isolated and exclusive corporate objective but are the aggregate indicator that a company is successful in meeting their customer’s demands in a comprehensive sense and over time. Today, most citizens of modern societies (who make up the employees, customers, suppliers and other stakeholders as well as the shareholders of a company) expect good financial business results – but *not at any price*, i.e. not in isolation from a humane social, a sound environmental and a politically acceptable performance (howsoever these may be defined under specific circumstances).

To be up to the mark by which a corporate conduct is judged “*responsible*” by the “court of public opinion” (comprising academia, politics as well as media), a company today has to perform significantly more sophisticated than at any time over the past 60 years (Carroll, 2008). The perception of profits being *legitimate* depends on a community’s understanding that a company abides by the rules, i.e. the rights and obligations that make up the fabric of the social contract acknowledged in the respective cultural and political setting. Therefore, sustained corporate success depends on societal acceptance – which again is the precondition for the corporate license to operate. If and when a company uses its resources in a socially responsible, environmentally sound and politically acceptable way, sustained corporate success is in harmony with sustainable creation of society's welfare. By and large, in the long run the economically rational and responsibility-related normative imperatives are one and the same.

In order to avoid an academic or ideological dispute on what represents veritable state-of-the-art corporate responsibility / sustainability, I use the “modern understanding of corporate social responsibility” as defined by the European Commission as the point of reference (European Commission, 2011). According to this understanding, the basic prerequisites for rating “responsible” are *respect for applicable legislation* and

*collective agreements between social partners.* In addition, “...to fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of:

“maximizing the creation of shared value for their owners / shareholders and for their other stakeholders and society at large; identifying, preventing and mitigating their possible adverse impacts.” (European Commission, 2011)

The European Commission encourages companies “to adopt a long-term, strategic approach to CSR (corporate social responsibility), and ... to identify, prevent and mitigate their possible adverse impacts, large enterprises, and enterprises at particular risk of having such impacts, are encouraged to carry out risk-based due diligence, including through their supply chains.”

The implementation of a comprehensive corporate responsibility concept is not a “free lunch.” To work in full compliance with the principles of the UN Global Compact, significant training from the Board level through to the line management is essential, and this on a corporate-wide level. In addition, responsibility-sensitive management tools, i.e. codes of conduct, corporate guidelines, target setting, compliance management, performance appraisals, all human resource, leadership guidelines, and communication culture will have to be amended to be coherent not only with the spirit of the 10 principles, but also the 17 Goals of the 2030 Agenda for Sustainable Development (Leisinger, 2015).

Competing with integrity in the spirit of today’s state-of-the-art usually entails additional investments, e.g. in ecological dispositions and social endeavors and, also, due diligence work and training. It may imply the exclusion of some low-cost suppliers due to human rights-related concerns or insufficient social and environmental standards. For enlightened corporate leaders, such requests will not pose insurmountable problems; enlightened leaders will accept the extra cost to be paid as the price for the legitimacy and sustainability of their business – i.e., their societal license to operate and grow.

On top of that, managers of international corporations are confronted with additional complex issues discussed below.

**Different political, social and economic conditions.** To cope with these, it might be necessary to introduce differential pricing systems and build different kinds of customer relations than at home and develop new business models. Differences in the understanding of what constitutes a fair division of responsibility between the state, corporations, and individuals will lead to different expectations about responsibilities to be assumed by corporations. In all cases (but in different ways), they are related to each other but distinguishable.

**Different systems of law and legal requirements.** There are differences between Anglo-Saxon “common law” and Continental European “civil law” that may pose an issue once in a while. However, this is not the main issue at stake. What really matters are the sometimes substantial differences in quality and substance of law between some emerging countries and OECD countries. “Good” companies will not hide behind “bad” laws, and wise managers will, therefore, “err” on the safe side. They will not exclusively rely on local legality, but strive for international legitimacy and live up to the spirit of the international norms the UN Global Compact, and the 2030 Agenda for Sustainable Development refer to.

By far the most challenging managerial task in today’s international business, however, is the handling of

different normative imperatives due to cultural diversity.

### **The Culture Dimension of Corporate Responsibility**

Geert Hofstede (2001) defines culture as the “collective programming of the mind that distinguishes the members of one group or category of people from another (...) The “mind” stands for the head, heart, and hands – that is thinking, feeling, and acting, with consequences for beliefs, attitudes, and skills (... as well as...) systems of values. (...) culture in this sense includes values; systems of values are a core element of culture” (Hofstede, 2001)<sup>1</sup>.

He found in his analysis of more than 50 *modern* nations (*ibid.*)<sup>2</sup> significant differences in the “mental program” developed in the family in early childhood and later reinforced in schools and organizations (like companies, KML). These “programs” express themselves in different values that predominate among people from different countries.

All over the world, one can find “clusters” of perspectives that are related to functional differentiation, e.g. everywhere street workers have different worldviews than bank managers, priests have different objectives in life than engineers, generals are likely to seek different conflict resolutions than psychologists, and so on. The differences between members of different cultures, however, go deeper. Culturally determined differences can be associated with substantial normative differences. They therefore can result in apparent variations in judgments about what ought to be considered as desirable, fair, just or responsible. These differences are also resulting in different weighting of conflicting norms.

What is of huge importance here is the acknowledgement that there “is more to the world than “Western” culture” (Nie, 2011). The future weight of traditional “Western” values and the underlying schools of moral thought in assessing the “rights” and “wrongs” is in times of globalization not likely to be the same as it has been in the past. That, however, should not be seen as a negative development. It would be an ignorant prejudice and unreasonable pretension if scholars or managers from, for example, Central Europe or the United States would suggest that exclusively their (interpretation of) moral philosophies are able to determine what is right and wrong in any context. In the light of the immense treasure of spiritual and ethical resources of the “rest of the world,” it would also be utterly unwise. Countries like China and India, to mention just two, have century-old ethical schools and approaches to moralities from which people all over the world can learn and gain impulses for reflection. Throughout Asia, Africa, and Latin America, there are other countries with deep-seated, culturally determined philosophies of life governing the relations between their communities and nature in a different way than, for example, in Switzerland, Germany or the United States. As a consequence, cross-cultural and transcultural comparative ethics will have to be the reflection level of the future.

In the next phase of globalization, emerging economies, such as China, India, Vietnam, and others, are likely to capture a growing share of the global market of goods and services. The increasing interactions between countries and the globalization of corporations “... does not mean that cultural difference are disappearing or diminishing. On the contrary, as economic borders come down, cultural barriers could go up,

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<sup>1</sup> In this perspective, one could also interpret the value pluralism between the different sub-systems as cultural diversity and deal with them in a respectful way to achieve transcultural understanding, but in the current context we will focus on international cultural differences.

<sup>2</sup> Hofstede identified five dimensions along which dominant value systems can be ordered and that affect human thinking, feeling, and acting, as well as organizations and institutions, in predictable ways: *power distance*, *uncertainty avoidance*, *individualism* versus *collectivism*, *masculinity* versus *femininity*, and *long-term* versus *short-term orientation*.

thus presenting new challenges and opportunities in business. (...) All experts in international business agree that to succeed in global business, managers need the flexibility to respond positively and effectively to practices and values that may be drastically different from what they are accustomed to. This requires the ability to be open to other's ideas and opinion" (House, Hanges, Javidan, Dorfman & Gupta, 2004).

Of course, being "open" to other ideas and opinions does not mean accepting them uncritically – they have to be discussed, analyzed and tested in the light of global values. Confusion, frictions over values, and related misinterpretations of each other's integrity are obstacles to good business relations and, therefore, must be minimized. Therefore, all globally minded citizens and, of course, business representatives, have to dedicate more attention to cultural diversity and normative pluralism between partners of different backgrounds.

With regard to corporate responsibility management, two elements will have to be looked at: material content and procedural norms.

### ***Material Content***

Different ethical, religious, cultural and historical backgrounds, as well as socio-economic conditions, are resulting in different societal expectations about the *material content* of corporate responsibility deliverables beyond legal compliance. Socially engaged stakeholder groups in a low-income country with blatant deficits in the satisfaction of basic human needs will expect and request a different content of the corporate responsibility portfolio than the sponsoring manager of an art museum. Poverty alleviation measures in the widest sense will, in low-income settings, obviously rank higher on the list of requests than in countries such as Germany or Switzerland where consumer protection, fair trade, green marketing, or art concerns take precedence (Visser, 2009).

### ***Procedural Norms***

There are also culturally determined different expectations with regard to the *procedural norms* of discourses about material content. Communitarian societies are likely to include more stakeholders and invest more time in the solution-finding process as societies with a more expressed individualistic focus – if such crude generalizations are valid at all. Different cultures ascribe different individual duties, and such duties are not always limited to intra-family modes of behavior; they might expect individuals to do things in a professional (corporate) context that are different from Eurocentric or North American mainstream thinking. If not properly attended, such differences create conflicts of interest for local employees and confront them with difficult choices and dilemmas. Enlightened corporate managements will not leave the solution of such problems "on the back" of employees trying to be successful under the pressures of time and scarce resources. Corporate responsibility leaders will act in a culturally sensitive way and look for processes to mitigate, if not avoid, culturally determined conflicts and dilemmas.

### ***What Does All this Mean in Practical Terms?***

The term "responsibility" contains the term "response"; in the current context, this refers to a corporate response to the diversity of culturally determined pluralism of norms and expectations. A company that wants to be successful in a particular foreign market has to understand the needs and expectations of its customers in order to serve them best and earn their trust. International corporations must, therefore, become "part of" the societies they are engaged in and, to a significant extent, adapt to their cultural features. A colorful diversity of cultures, human peculiarities, and societal specificities is a wonderful aspect of our world, and the resulting pluralism of wisdom ought to be preserved for the generations to come (UNESCO, 2000).

On the other hand, differences in the "collective programming of the mind" must be handled carefully because the success of an internationally active company is not only judged in economic terms by financial analysts and not only by authorities, media, and civil society in a given *host* country. The integrity of international companies is also (if not predominantly) judged in terms of living up to the spirit of international conventions. In this respect, the global "court of public opinion" does the relevant compliance monitoring – regardless of local legality, customs, and practices. This "court" has a "jury" that is composed of members with different nationalities, cultures, worldviews, and moral expectations. Due to their diverse mental programming, they bring in the pluralism of their own values, interests and perspectives and come to results that can be quite different than what corporate management concludes to be appropriate.

The greatest challenge for multinational companies is that they must perform in many areas locally according to different culturally determined norms but have globally only *one* reputation to lose and *one* brand to defend. The judgment on the "goodness" or "badness" of certain aspects of corporate or individual conduct according to one socio-cultural tradition or school of moral thought is not necessarily appreciated in a different context. Comparable to the weakest link that determines the strength of a chain, the global reputation of a company is over-proportionally dependent on the perceived quality of corporate conduct, even in the smallest market far away from home. Deviance from what is globally perceived to be the path of virtue by managers far away from headquarters can outshine all well-meant efforts elsewhere.

Corporate responsibility leaders are therefore aware that there *are* fundamental values not to be violated, regardless of what local law or culture in a specific country allows for. Also, they are respectful of cultural diversity and normative pluralism. Therefore, they will be sensitive to the local values, attitudes, and behaviors as characteristics that shape the expectations of their local customers towards the company, and they will uphold the primacy of global values and norms. To be explicit, this discourse is not about exotic food preferences, culturally determined dress codes, beliefs and superstitions, understanding of punctuality, use of the "left hand" or customs and practices of a religious nature as long as they are compatible with the spirit of the Universal Declaration of Human Rights. This discourse is also not about unquestionable immoral practices, such as e.g. "offering sexual bribes" to government executives (Ford, Lewis & Dean, 2013) or illicit payments to exploit unregulated niches to commit environmental crimes (UNICRI). The author would not know of any culture where decent people would appreciate such aberrations.

The issue at stake is to properly deal with potentially substantial differences between culturally determined local customs that upright people in a foreign country are likely to adhere to versus a dissenting European or US understanding of behavioral norms in that context. Examples are the following:

**Culturally expected gift versus condemnable corruption.** How should a culturally considerate and morally enlightened management decide about the legitimacy of gift giving in a society that practices this as an appreciated expression of respect for the recipient? "Guanxi," for example, the Confucian concept according to which a close relationship between people involves an exchange of reciprocal and mutually beneficial favors (including gifts, information, and other favors) is one example where sensitive reflection and subtlety in action is advised. The cultivation of good business relations in a Confucian context involves developing a network of influence and good personal connections. This may necessitate gifts, which, in a Western cultural setting, may be perceived to be bribes. Generalizing judgments and stereotypes, however, are (as always) inappropriate, as a closer analysis reveals interesting insights to a foreign observer; not surprisingly, there are moral parameters within the Chinese culture to distinguish clearly culturally appropriate gifts from bribery and corruption.

Senior managers in China, as their counterparts elsewhere, can draw a clear distinction between gift giving and dining that is designed to build relationships, and under-table or back-door dealings (Millington, Eberhardt & Wilkinson, 2005).

Also, African cultures know and appreciate gift-giving as a sign of respect and goodwill towards elders or other people with a high hierarchical status e.g. in the context of consensual decision-making processes (Mayer & Boness, 2003). One example is the Southern African philosophy of life *Ubuntu*. The term, which cannot be translated literally, signifies an attitude of “human-ness” and “humaneness towards others.” It sees human beings as part of a greater whole, interconnected with the whole of humankind and nature. Such a philosophy of life can expect individual modes of behavior in a business context that are unacceptable in a “Western” corporate culture.

Most international companies have subsidiaries in the United States and the United Kingdom. They are, therefore, expected to comply *globally* with the US Foreign Corrupt Practices Act or the British Bribery and Corruption Act. Both have a very restrictive interpretation of what an acceptable gift is. The insistence on a US-American perspective on a business interaction in China or South Africa could be seen as cultural or moral imperialism, disregarding normative imperatives of an Anglo-Saxon origin could be condemned as moral relativism. Corporate leaders will have to apply principled pragmatism and make wise decisions.

**Discrimination.** Already, the definition of the term "discrimination" is different in different cultural settings; what is perceived to be a "natural difference" in one culture or religion can be seen as a condemnable discrimination in another. How should a culturally considerate and enlightened management decide about the applicability of standards that are increasingly accepted in modern societies but incompatible with the standards of many traditional societies? Same-sex partnerships, for example, are seen as a human right and have legal support in some Western countries (European Court of Human Rights & Council of Europe, 2011). They are not tolerated in a number of other countries, including the Vatican. Should a company from a country where same-sex couples enjoy the same insurance and pension benefits as traditional marriages apply this policy, also, to host countries where same-sex partnerships do not enjoy the same acceptance? How should insurance and pension schemes be designed in communities where polygamy is an accepted form of life?

How should a culturally considerate and enlightened corporation that prides itself with Scandinavian-style gender, diversity, and inclusion policy, act in countries where attitudes, conditions, or behaviors promote stereotyping of social roles based on gender – in other words, practice discrimination against women?

Should a company introduce an affirmative action program in a country where religious codes, historical social stratification and self-interested convenience of the ruling elites determine the value of people according to their ethnic minority status, religious affiliation or caste? Are these issues “company external facts” to be tolerated or even benefitted from? Or must such practices be seen as a deplorable lack of respect of human rights and, therefore, be remedied by corporations in their sphere of influence as soon and as comprehensively as possible?

When faced with issues that for cultural or religious reasons are dealt with differently in a host country than “at home,” people usually apply their own culturally determined value system as the standard against which they measure the conduct of members of other cultures (Resick, 2011). Here they may make mistakes that can harm their relationship with their customers, employees, or state authorities in a foreign country. Corporate leaders will invest time in stakeholder dialogues, draw on the advice of external experts, and apply principled pragmatism to arrive at acceptable practices.

**Legality, legitimacy and culturally determined individual duties.** Obviously, there can be no doubt that strict adherence to each national legality, as well as striving for global legitimacy, is in the enlightened corporate self-interest. Therefore, in a number of areas the “transplantation” of globally identical policies, standards, and codices designed at corporate headquarters, is totally appropriate. Financial guidelines, auditing practices, environmental standards, and respect of human rights are examples in this respect.

A transplantation of headquarters-designed norms, however, cannot effectively regulate *all* modes of behavior in all cultural settings. In a rough, generalizing (and sometimes inappropriate) way (Nie, 2011), one could say that Western cultures’ mental programs are leaning rather towards individualism, while a Chinese, Korean or Japanese culture is more oriented towards collectivism. If *individualism* stands for a society in which the ties between individuals are loose in the sense that “...everyone is expected to look after him/herself and her/his immediate family only” and if *collectivism* stands for a society in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people’s lifetime continue to protect the in exchange for unquestioning loyalty,” then loyalty dilemmas between in groups and corporate environment are to be expected (Hofstede, 1980).

In a collectivist culture "losing face" in the sense of feeling humiliated through a close friend or family member not honoring important obligations in the given social context plays an important role. Under such circumstances a US American approach demanding to live up to without any *ifs and buts* to its strict compliance rules (e.g. conflict of interest policy) developed "at home" may create a loyalty conflict for local employees: The corporate guidelines of "Western" origin may request them to refrain meeting essential requirements placed upon them by virtue of the social position they occupy in their cultural setting.

Culture where “harmony with others,” “following the middle way,” or “filial piety” are highly admired values have a different rationality for dealing with issues that involve human action than a competitive, economic performance-based go-getter culture. What is perceived to be “constructive criticism” and “welcome candidness” in one culture may be perceived to be rude and disloyal in another culture. Where the maintenance of harmony is a key virtue, communication functions in different ways: “The word *no* is seldom used because saying no is a confrontation; ‘you may be right’, and ‘we will think about it’ are examples of polite ways of turning down a request. In the same vein, the world *yes* should not necessarily be seen as approval; rather it may be used to maintain the communication line” (Hofstede, 1980).

Under such circumstances, the “exportability” of e.g. an US American theory of the firm, competition-focusing MBA philosophies, as well as compliance philosophies, will have to taken with a grain of salt (Hofstede, 1980).<sup>3</sup> Complex issues related to cultural diversity and normative pluralism request more than self-referential simplification:

A “*conflict of interest*” policy is one of the examples where an unaltered transplantation might be inappropriate: According to a “western” understanding of conflicts of interest, the personal interests of an employee should not influence business-judgments. Further, individuals or companies with a relationship to an employee should not improperly benefit from the

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<sup>3</sup> Hofstede supports the view that North American decision-makers do not observe the rational decision-making patterns proclaimed in North American theory in their own work and lives but rather restructure past events according to a decision-making model.

employee's position in the company. In a cultural context where this employee is strongly expected to do the opposite, conflicts of interests will arise that cannot be solved by the respective individuals alone.

Where "content" of a policy creates ambiguities, procedural reforms may be the way to go; the solution for a compliance performance that approximates the spirit of a "conflict of interest" policy "at home" may be insisting on full disclosure of sensitive relationships, as well as putting sensitive decisions into a committee rather than burden individuals with conflicting obligations. Processes to manage issues are often as important as policy content.

*Whistle blowing* is another area of potential conflicts with cultural convictions. Enlightened companies have institutions or provisions that allow for whistle-blowing: employees can bring up issues of moral significance in a way that creates transparency and allows corrective action *without* the "messenger" running the risk of being punished (Leisinger, 2003). In my experience whistle-blowing and escalation policies that are likely to work in the United States or Central Europe – not always as the analysis of the Challenger disaster has shown (Wikipedia) – have a much smaller probability to work in a cultural setting where a "loss of face", particularly of a superior, must be avoided by any means. Therefore, anonymous "grief mail boxes" or other measures may be the better choice.

As "moral common sense"<sup>4</sup> points honorable people in different cultural contexts to different solutions, there is often no *one and only* correct solution for a variety of problems. This makes ambiguity tolerance indispensable: unambiguous solutions work for simple systems and simple problems only. Corporate management referring exclusively to "Western" values and norms cannot be the appropriate answer for the questions discussed here. Such questions, however, can also not be answered exclusively from an "Indian," "Chinese," "South African," or "Brazilian" normative perspective (if a generalizing "cluster judgment" like an "Indian" or "Chinese" perspective is appropriate at all). "Doing in Rome as the Romans do" can lead to disaster if applied to marketing practices or human resource policies. An inappropriate "transplantation" of policies and codes can trigger a "rejection reaction" if the respective norms are perceived to be imported and imposed, but an uncritical adoption and acceptance of attitudes and behaviors of the "foreign" culture might result in undesirable moral relativism.

Ethnocentrism, the excessive belief that the values, modes of behavior, and other characteristics of one's own group are superior to those of other groups, can be found all too often all over the world. Managers with attitudes that restrict the validity of worldviews, norms, priorities, and practices to those prevalent in their "peer silo" are inappropriate for dealing with international cultural differences. Such personalities should not be put in charge of work involving people from different cultures.

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<sup>4</sup> The terms "ethics" and "morals" are often used interchangeably, which they should not be; the definition of *morals* (or morality or morale) used here describes principles for actions and modes of behavior that in a *given socio-economic-cultural context* are considered to be "good," "right." *Ethics* is, then, the moral philosophy that analyses the different morals and judges them according to *generalizable concepts about right and wrong, good and bad*.

The more local managers, customers and officials and expatriates or headquarters managers interact with each other, the more they know about each other's culture, the better they know what to expect from each other. The better (deeper) knowledge is likely to improve their ability to negotiate mutually agreeable approaches to conflict resolution, problem-solving, decision-making, and management practices: "Knowing what is considered to be effective or ineffective in the culture with which one interacts is likely to facilitate conflict resolution and improve the performance of interacting individuals" (House, Hanges, Javidan, Dorfman, & Gupta, 2004).

There are a number of other obstacles to transcultural learning, e.g. the uniformity of MBA curricula: Graduates of MBA courses all over the world use the same "Western" doctrines and symbols. As a result, they all highlight the importance of the same standard operating procedures and key performance indicators. Introspection into the cultural constraints resulting from this near monopoly and openness to views and values from outside the "Western culture silo" will more and more have to be part of the term of reference for managers working in different cultures.

### **Stakeholder Dialogues for Transcultural Normativity**

With the exception of some very basic universal values, there is no single list of truths. Generalizations and (in the worst case *moralizing*) prejudice prevent the understanding of problems caused by cultural diversity and normative pluralism. Systems of "organized complexity" (and this is what we are dealing with) evade attempts to generate simple and clear-cut answers and solutions. Such systems call for multi-cultural approaches, as well as for open multi-stakeholder inquiries that enable managers to escape the confinements of a specific culture and to become aware of aspects that are necessary to *satisfyingly* solve the problem (Riegler, 2005).

The underlying attitude of all participants in stakeholder dialogues can, by definition, not be a "teacher and pupil" relationship, certainly not in a dialogue with members of different cultural backgrounds. All members from all the different cultural setting in a given situation must be willing and able to learn from each other's experience and traditional wisdom. Participants of such dialogues must overcome the ignorance stemming from "cultural silo-thinking" and to find areas of common understanding *as well as* areas of dissent.

The objective of a discourse to that end is the establishment of a robust consent about a "corridor" of transculturally legitimate actions and responsible modes of behavior. The limiting guide boards are values and normative imperatives that are respected in all cultures, recognized by all religions, and appreciated over time all over the world. Within this corridor corporate responsibility, policies and practices must be developed that are embedded in the specific local cultural or religious setting *and* compliant with global values and the spirit of international norms. The development process consists of three steps.

#### ***First Step: Using the existing knowledge about globally accepted moral principles and common values***

Companies willing to develop a transcultural responsibility framework can build upon a firm knowledge base about normative principles and values that at all times have been shared by all cultures, accepted by all religions, and supported by common practical experience. Of authoritative importance are the following:

The "*Declaration Toward a Global Ethic*" and the body of thought that the *Global Ethic Foundation* and Hans Küng have developed over many years (World's Religions, 1993) and, based upon this, the "*Manifesto Global Economic Ethic*", i.e. the attempt to define a common

ground for what can be considered as legitimate, fair and just in international business activities. It relies on moral principles (humanity and the Golden Rule) and basic values (non-violence, reverence for life, justice and solidarity, honesty and tolerance as well as mutual esteem and partnership) shared by all cultures and religions since time immemorial (Küng, Leisinger & Wieland, 2010).

The United Nations, through various organizations and commissions, also participated in the search for a globally accepted common moral ground. Most importantly,

The Report of the World Commission on Culture and Development: *“Our Creative Diversity”* (World Commission on Culture and Development, 1996); and

The *“Common Framework for the Ethics of the 21<sup>st</sup> Century”* developed by UNESCO (1999);

A valuable recent reference for global values and ethical principles is the *Millennium Declaration* affirming a “collective responsibility to uphold the principles of human dignity, equality and equity at the global level” and confirming the essentiality of fundamental values such as freedom, solidarity, tolerance, respect for nature and shared responsibility. (UN, 2000 & Leisinger, 2014)

The good news coming from all these efforts is that with regard to normative principles and basic values, people have much more in common than what divides them. The common denominator of all work for a collaborative ethos is the desirability that individual actors and institutions act according to the “Golden Rule” and that they internalize and apply in their personal and professional life the basic values mentioned above complemented by values such as truthfulness, tolerance, integrity, sustainability, and respect for human rights.

Another important common insight of this work is that human development can no longer be perceived as “(...) a single, uniform, linear path, for this would inevitably eliminate cultural diversity and experimentation, and dangerously limit humankind’s creative capacities in the face of a treasured past and an unpredictable future” (World Commission on Culture and Development, 1996). This insight gains immense importance in the context of national action plans for the implementation of the 2030 Agenda. Political and corporate leadership managing this process should be “...strong by vision, sustained by ethics, and revealed by political courage that looks beyond the next elections” (*ibid.*) or, with regard to business leaders have “moral courage that looks beyond short term economic results.”

### **Context Matters**

Accepting the existing moral principles and the common moral ground upon which it rests is a first step, necessary but not sufficient. The principles of Humanity and the Golden Rule constitute an excellent basis for the reflection of modes of behaviors in all cultural contexts, as are the shared values. However, as “morals” are by definition culture-bound, acceptance of general values and abstract norms does not necessarily imply agreement when that norm has to be applied for the solution of a specific ethical issue in a specific context (Walzer, 1994).

In practical business (and personal) life a general support of global values, such as “justice” and “fairness,” does not necessarily mean that corporate decision-makers all over the world understand the same and act coherently if and when their corporate responsibility guideline articulates “we treat everyone just and fairly.” Obviously, it is easier for human beings to declare abstract common values than living by them in specific contexts. Moral terms, says Michael Walzer, “... have minimal and maximal meanings; we can standardly give thin and thick accounts of them, and the two accounts are appropriate to different contexts, serve different purposes” (Walzer, 1994; Ryle, 1968; Geertz, 1973). Reasonable people all over the world can agree that “justice” and “fairness” and, also, “truthfulness” or “freedom,” *are* important values. However, this acknowledgment remains “thin” in the sense of abstract, general, and out of context. Even if and when the same, underlying values and norms are the basis of a judgment, differences in the valuations of conflicting norms can result in different judgments.

As people from different cultural backgrounds have different “framings” according to which they determine the moral relevance of an action or behavior, they give generally accepted terms to their own specific meaning. Therefore, moral deliberations must be done “in a thick manner, accounting for the specificities of the actual situation in which a decision has to be taken (...) The claim that we must all be heading in the same direction since there is only one direction in which good-hearted (or ideological correct) men and women can possibly march is an example of philosophical high-mindedness. But it does not fit our moral experience” (Walzer, 1994).

Translated into a corporate responsibility context, this means that articulating general values and developing respective general guidelines and codes of conduct are necessary tasks, but not sufficient to guide responsible action all over the world. Management at “headquarters” of a multinational corporation, if e.g. located in Central Europe, North America, or China, will base their moral judgment on specific actions according to their “thick” moral standards. The assumption that the guidelines and codes will be implemented all over the world in the same spirit as perceived to be appropriate “at home” is overly optimistic. It does not consider that normative judgments and decisions in a different cultural context mirror different perceptions about the “right thing to do” or the appropriate process to use. An effective discourse to determine transcultural corporate responsibility principles and standards must consider the plurality of local values and normative principles, even within complex cultures such as China. Respective responsibility guidelines and codes of conduct have to be made “thick” in the cultural and normative setting of the host countries.

### ***Second Step: Analysis of local values and moral principles in the light of global values.***

What was proposed in 1996 by Thomas Donaldson in his farsighted article, “Values in Tension: Ethics away from Home,” is still valid today (Donaldson, 1996). To be able to manage culturally determined conflicts and tensions, international enterprises must create a global integrity culture that rewards ethical behavior all over the world. To be able to do that consistently, companies must develop managers who can spot cultural issues and are able to exercise good judgment when ethical conflicts arise. Ideally, responsible managers should act like *situation ethicists*, focusing on the consequences of their decisions in relation to the goals aspired. The right thing to do in critical situations “... depends on the case, and the solution of any moral issue is, therefore, quite relative. What is right is revealed in the facts. But once the relative course is chosen, the obligation to pursue it is absolute: The obligation is absolute, only the decision is relative, only the **how** is relative not the **why**” (Fletcher, 1996).

The global corporate values and the *essential* normative imperatives are non-negotiable absolutes; the ways to implement them, however, must be adapted to the specificities of the respective cultures. Judgment must be taken in the spirit of *principled pragmatism*, considering every important aspect of a given practice. Managers from headquarters as well as subsidiaries from different cultural settings should be part of that analysis and external specialists be available to assist and moderate. From my experience, moral standards and behavioral patterns in a given cultural setting ought to be analyzed and grouped into the following four categories:

Some are **culture-neutral**. Respective guidelines can be applied unmodified all over the world. Examples are not only financial and accounting guidelines and environmental standards, but also human-rights-related policies and guidelines including non-tolerance of child labor and all forms of forced or compulsory labor.

Some are *different but do not pose a moral issue*. With the judgment of such practices and standards, a company should develop and apply a *transcultural mindset* that views respective local traditions and perceptions as an enrichment of the corporate culture. Respecting diversity within a corridor of shared values and principles is also a core ethical value and, therefore, not to be neglected. Examples in this respect can be found in the field of marketing and advertisement. To be explicit again: it is not about non-negotiable duties such as telling the truth about risks and benefits of products or sponsoring “dubious services” for procurement managers or officials. What is meant here is e.g. hospitality and entertainment customs consistent with local practices or gifts permitted by local standards. As long as these can be dealt with in a transparent manner and do not create raised eyebrows in the light of international legitimacy perceptions, one should not intervene. Also, here, a useful assessment criterion is whether transparency can be created about the accepted modes of behavior: People all over the world have a pretty good intuitive judgment capacity (“gut feeling”) to separate the sheep from the goat.<sup>5</sup>

There can, however, also be traditional standards and behavioral patterns accepted or tolerated in the local culture but *plainly unacceptable by international standards*. In this instance, a responsible company must intervene promptly, make clear that such modes of behavior are unacceptable and insist on zero-tolerance. Examples are all practices where locally accepted standards violate the spirit of internationally proclaimed human rights. This includes all forms of discrimination and also the abuse of power for private gain. Companies competing with integrity (DeGeorge, 1993)<sup>6</sup> will strive for a global corporate culture in which the dignity of human beings all over the corporate world and on all levels of hierarchy is respected. All it needs to achieve that is top management’s will to do so and leaders who stand up for their values.

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<sup>5</sup> Many discussions with Chinese friends and colleagues led me to believe that there is a very good understanding of what constitutes a “good Guanxi” and what plain corruption is.

<sup>6</sup> “Competing with integrity” is in a nutshell what corporate responsibility is all about.

Traditional standards and behavioral patterns that are *related to the different stage of socio-economic development*. With regard to these, there is a fine line between making use of the competitive advantages of a low-income country socio-economic conditions (e.g. relatively low remuneration packages) and deplorable exploitation of precarious social circumstances in search of higher profits. Competing with integrity in this instance means e.g. with regard to the fairness and appropriateness of salaries and social benefits to at least meeting the living wage and social benefits criteria set by *rerum novarum*, (1891) and *quadrogesimo anno* (1931).<sup>7</sup> These parts of the Catholic social teaching were conceived at a time where the socio-economic conditions of the majority of people in Central Europa was comparable to those in many low-income countries today. Enlightened managers will, therefore, provide at least living wages and offer occupational pension schemes instead of exploiting the fact that unemployment is high and regulation low.

The same applies to environmental standards that today must all over the world reflect the fears about climate change, decline of biological diversity and overexploitation of non-renewable resources (SDSN, 2015). Outsourcing of production or of any other sensitive processes in search of softer legal or regulatory frameworks elsewhere is incompatible with integrity, defined as committing to work in consistency with values and normative imperatives that can be universalized, *as well as* in line with the available knowledge about the possible consequences.

Importantly in this context, while fighting specific deficits and inadequacies remains important, most often an “all things considered,” judgment is appropriate and moral compromises can be legitimate as intermediate steps in a long-term corporate engagement (Brenkert, 2009). No single corporate actor can “change the world,” but what he or she can and should do is organize the corporate activities in a way that makes them part of the solution and not part of the problem.

### ***Third Step: Create a globally responsive corporate responsibility culture based on the World Ethos ideal.***

Once the first two steps have been taken, a process must be initiated and supported that leads to a global corporate responsibility and integrity *culture*. The fabric of such a culture is made with decision-makers with moral maturity and civil courage. In such a corporate culture, decision-makers on all levels of the hierarchy act responsibly due to their respective *programming of the mind* as defined by Hofstede (2001) and not because their compliance managers tell them so. Their responsibility-related thinking, feeling, and acting, their beliefs, attitudes, and systems of values distinguish them from managers in other companies. The corporate spirit is reinforced by peer pressure sharing the same values and supported by performance appraisal criteria.

Such a corporate culture depends on personalities that are able to deal with responsibility-related guidelines and codes that are to a certain degree open, leaving implementation free for adaptation to cultural context specificities. Such personalities have the moral imagination (Werhane & Moriarty, 2009) to “translate” the corporate policies, guidelines and codes to be applicable in the specific cultural setting. A differentiation into “must”, “ought to-” and “can” criteria (Dahrendorf, 1959; Carroll, 1993; Leisinger, 2011) makes sense

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<sup>7</sup> Also reading the Encyclical letters *laborem exercens* (1981), *sollicitudo rei socialis* (1987), *fides et ratio* (1998) and *Centesimus Annus* (1991) offers inspiration for the corporate responsibility discourse.

because it allows for managers to use their moral free-space (Donaldson & Dunfee, 1999) to profile their company as “part of the solution.” The “musts” are given by local legality and basic international legitimacy; the “ought to”-dimension comprehends an enlightened leadership interpretation of the requirements of the 2030 Agenda for Sustainable Development; the “can”-dimension comprehends affirmative action in areas where equality of opportunity and fairness is denied to specific groups of people due to the standards of the culture they live in. Optimally, the whole process of developing a transcultural responsibility framework should be done in dialogue with experts and accompanied by a corporation wide communication campaign.

A corporate reform process of this kind, however, needs business leaders with an amended profile. Corporate leadership profiles will also in future contain a high *cognitive intelligence (IQ)* and appropriate *technical intelligence* to master the particular challenges of particular businesses, to understand issues of strategic importance, and to run a complex organization. On top of this, corporate leaders are expected to be equipped with the *emotional and social intelligence* to perceive, assess, and manage their own emotions and those of the people they work with. They also should have *social competence* to get along with people regardless of social class or hierarchical rank. Last but not least, ideal leaders are blessed with *moral intelligence*, i.e. the mental capacity to apply universal normative principles to their personal values, goals, and actions. However, in times of globalization and cultural and normative diversity, additional competences gain importance.

Top managers able to professionally dealing with transcultural issues possess the cultural sensitivity and ethical “musicality” necessary to design a corridor of responsible practices that gets ownership by local employees and customers and still is acceptable by international norms. In order to be sustainably successful, bearers of responsibility must be able to move beyond cultural stereotypes and ethnocentric intellectual barriers. They are able to deal comfortably and respectfully with cultural diversity in the light of global values. Internationally engaged top managers should be “culturally multi-lingual,” refrain from unqualified assumptions and inappropriate generalizations, and remain open for the revision of their own culturally determined thinking to adapt them in the light of new insights and experiences.

Of course, such personalities are not abundantly available. However, there is no way around the fact that human beings who are not only responsible for the next quarterly result but (also) for the economic, social and ecological impact of huge corporations and the welfare of thousands of employees must have competences commensurate with their power. No company acts only as an abstract legal institution. Corporate actions are brought out always through the many different people working at different levels of the hierarchy. One cannot separate “irresponsibility in the corporate conduct” from those who are responsible for the decisions that result in harmful practices. Neither responsible corporate conduct nor corporate misconduct “falls from heaven.” The ultimate decision on a specific action or omission is always an individual moral decision, and such decisions in a corporate context are always a consequence of top management’s value mindset and their leadership styles.

The character of corporate leaders, their values, integrity, willingness to put corporate benefits over self-interest, social awareness, and ethical “musicality” make or break the quality of corporate conduct. Employees’ willingness to stand up with constructive criticism (Walumbwa, 2009), their intrinsic motivation to give their best while working (Piccolo, 2010) and their trust into the management, and, therefore, their commitment for the company (DeHoog & DenHartog, 2008) crucially depend on the ethical quality of leadership. Top management, by setting the tone from the top and exemplary modes of behavior, can direct

their corporations to tune into or neglect societal concerns and have the responsibility to do so (Swanson, 2009).

Not surprisingly major core characteristics of ethical leadership are endorsed on a worldwide level. Christian Resick and his colleagues chose six categories of ethical leadership characteristics and compared their importance in a number of countries (Resick, 2011):

- Accountability
- Consideration and respect for others
- Fairness and non-discriminatory treatment
- Character
- Collective orientation: organization and social, and
- Openness and flexibility.

All are supported all over the world but with differing degrees of importance in different cultural settings. For example, in the People's Republic of China, in Hong Kong and, interestingly enough, also, in Germany, the dominant ethical leadership characteristics were paternalistic traits, such as "Consideration and Respect for others," "collective orientation," and "fairness." In the People's Republic, corporate leaders are expected to take care of subordinates' work and personal life by displaying parental behaviors.

In the U.S., Ireland, and Taiwan "Consideration and Respect for others," "collective orientation," and "fairness" were characteristics of ethical leadership, but they were less central (*ibid.*). In the U.S. managers, performance orientation is the most important cultural and professional value, and managers are expected to make decisions in the best interest of the company even if it harms personal or familial relationships. Managers in China, whose leadership style is influenced by Confucian values, are likely to take relationship and context into consideration to determine moral or ethical correctness: harmony and interpersonal relationships rank higher. Needless to say, such differences can create issues in a corporate context where Chinese and U.S. American managers work together.

Also, the *do no harm* commandment is a globally supported leadership imperative. Scott Vitell and Abhijit Patwardhan used cross-cultural samples of marketing practitioners from Spain, the United Kingdom, and China to examine the relationship between moral intensity, personal moral philosophies, and ethical decision-making (Vitell & Patwardhan, 2008). The results show interesting common features and the following noticeable differences:

- Independent of cultural background and the specificities of the concrete situation decision-makers consistently considered the amount of "harm" that a particular decision might inflict on others before deciding upon a course of action – and all preferred solutions with less harm created.

- With regard to personal moral philosophies, Chinese marketing managers seem to have a more flexible demarcation between right and wrong than managers from the UK, indicating that it would be desirable for global managers working in China to clearly codify desirable versus undesirable behaviors.

Not surprisingly, the more idealistic decision makers in all countries tended to be more likely to follow an ethical action and avoid questionable actions.

Also, with regard to *unethical leadership characteristics* there, is a worldwide common understanding. Christian Resick and his colleagues chose the following categories (Resick, 2011):

- Acting in self-interest and misusing power;
- Deception and dishonesty;
- Lack of accountability, compliance and transparency;
- Lack of personal values of moral code;
- Incivility, and
- Narrow or short-term focus.

“Acting in Self-Interest and misusing power,” “deception and dishonesty,” and “incivility” were important characteristics of unethical leadership in all countries, but, again, with different emphasis. The People’s Republic of China, Hong Kong, and, again, Germany, emphasized social relations with “incivility” as the dominant theme, followed by “acting in self-interest.” Managers in the U.S., Ireland, and Taiwan focused on “acting in self-interest” and “deception and dishonesty” (*ibid.*).

The *focus on commonalities while remaining aware of differences* is the appropriate approach to dealing with the cultural differences of responsibility perceptions. The development and maintenance of a corporate integrity culture that is animated by a normative frame, as discussed here, depends on corporate leaders living up to what Hans Küng described as a “World Ethos” (Küng, Leisinger & Wieland, 2010).

**Non-violence and reverence for life**, i.e. the people whose decisions and actions have an influence on other people’s quality of life, ought to have the inner motivation to act in their professional and private life in a way that not only proactively avoids decisions and actions that create strife are also committed to find win-win solutions that respect pluralism of norms and interests. Article 1 of the Universal Declaration of Human Rights represents the basic signpost for the structure of decisions that are also in business life: *All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.* Taking note of the ongoing deplorable loss of biodiversity, the reverence for life imperative is gaining importance far beyond human life.

**Justice and solidarity**, i.e. the use of economic, hierarchical, or other forms of power ought to be moderated by the spirit of the Golden Rule; realizing legitimate self-interest and using competitive advantages for the benefit of the company, which are preconditions for innovation and the growth of productive capacity, must be tempered by accompanying longer-term considerations of fairness and integrity, as well as the affirmative answer to the question of whether or not decisions taken and actions done can be explained to a critical court of public opinion.

**Honesty and tolerance**, i.e. the cultivation truthfulness and reliability in all business transactions, as well as the tolerance of the diversity of cultural norms and political convictions, as long as they do not violate global norms and values; as such, behavioral norms are fundamental for long-term corporate success corporate target setting, performance appraisals, and bonus systems must be amended to support and reward such behavior.

**Mutual esteem and partnership**, i.e. to not only resist a “command and control” management style because of the hierarchical power to do so inside the company, but also to respect the “otherness” of corporate stakeholders. The complexity and dimension of today’s problems and, therefore, the complexity of solutions, necessitates (carefully managed!) “crowd intelligence,” the aggregation and analysis of information in groups that leads almost by definition to better results than can be done by individuals: The “many are smarter than the few” (Surowiecki, 2004), and collective wisdom is more likely to solve complex problems; this is particularly so if and when dilemmas must be resolved.

Breaking down these normative imperatives and making them operational in daily business affairs while always being aware of the existence of a “cultural iceberg”<sup>8</sup> is the crucial but difficult task international managers have. It is, however, a precondition for the development of trust with internal and external stakeholders. Once all implicit and informal “rules of the game” are known, reasons that determine a decision are better understood. The fact that top management cares about cultural pluralism and actively works for a transcultural understanding of its values helps to create a new, more complex kind of “we”-feeling and a holistic corporate identity. This, again, is likely to sharpen value consciousness, raise motivation, and spur creativity. These are all convincing arguments for a “business case” of transculturally understood corporate responsibility, in addition to those discussed in the past (Margolis & Walsh, 2001; Orlitzky, Schmit, & Rynes, 2003; Kelly, 2004; Kurucz, Colbert, & Wheeler, 2009).

### Outlook

My professional experience taught me that only a small minority of international top leaders are sensitive to the issues discussed here and willing to invest the time for reflection and the necessary resources to find transculturally sustainable solutions. With regard to cultural diversity and normative pluralism work by trial and error seems to be the preferred (though highly risky) approach. If and when conduct that might be perceived to be “normal” in one culture but not acceptable on the basis of global norms, the following public outcry should motivate a company to analyze the issue with the help of external experts. Unfortunately, this is seldom the case; companies normally hasten to get the “public issue” off the table as fast as possible and go on with a slightly modified “business as usual.” This is a striking similarity to the stage of moral development that Lawrence Kohlberg called “obedience and punishment” orientation (Kohlberg, 1983). Leadership, however, is not defined by reacting to negative experiences. Leadership means to deal with issues proactively with a “social contract” if not “universal ethical principles” orientation.

We still deal with very *normal* human beings and, therefore, with bounded ethicality (Simon, 1959 & Kahneman, 2011), blind spots (Bazerman & Tenbrunsel, 2011), framing (Druckman, 2011), groupthink (Janis, 1982), and conflicts of interests. The World Bank dedicated a whole World Development Report to the multiple behavioral, psychological, and social factors affecting whether a policy succeeds or fails (World Bank, 2015). It would be naïve to neglect this knowledge and argue as if we deal with *ideal* human beings. However, if leaders are motivated to practice mindfulness, to show respect and sensitivity to all their fellow human beings regardless of hierarchical grading and in all cultural settings, the potential for misunderstandings, confusion, and conflicts due to cultural differences shrinks.

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<sup>8</sup> The “iceberg metaphor” developed by Sigmund Freud in his psychiatric practice can also be used for the discourse of cultural matters. As with an iceberg, the visible “factual level” of a message is only a small part of the whole communication. The underlying sentiments, value propositions, and implicit convictions remain invisible “under water.”

I am aware that all this means additional burdens for managers that are already dedicating 100% of their capacity to business. If and when the issues mentioned here are taken as seriously as they should be, it needs a different leadership personality, professionals who distinguish themselves from mere subject matter experts. Among the additional competences of such leaders are "ethical musicality," "cultural sensitivity," and "societal intelligence and competence" (Leisinger, 2016). However, then, the importance of emerging countries like China, India, and others is likely to grow not only in economic terms but also with regard to their normative shaping power. The time when a few Western industrial countries were able to determine what is right for the rest of the world has come to an end – and rightfully so. Geert Hofstede wrote in the preface to the first edition of his seminal book, *Culture's Consequences*, a message that – 35 years later – gains even more significance for the business sector: "The survival of mankind will depend to a large extent on the ability of people who think differently to act together. International collaboration presupposes some understanding of where other's thinking differs from ours. Exploring the way in which nationality predisposes our thinking is therefore not an intellectual luxury. A better understanding of invisible cultural differences is one of the main contributions the social sciences can make to practical policy makers in governments, organizations, and institutions – and to ordinary citizens" (Hofstede, 1980).

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## Global Ethos, Law, and Economy<sup>1</sup>

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**Abstract:** This article shows interactions and intersections between the Global Ethic on one side and Law and Economy on the other side. It reflects that Law must be based on ethics and needs more and more an international approach; it reports, as an example, a partnership program between Chinese and German courts. At the same time, law and ethics became increasingly important for the world of business. This is why universal ethical principles are needed and can be found in the project Global Ethos of Hans Küng. The Global Economy Ethic Manifesto has shown the importance of this approach and the key elements for its implementation. However, implementation remains a challenge and a constant task.

**Keywords:** Global ethics; ethos; values; law; economy; implementation; Chinese-German Court Partnership Program

### Introduction

In my short presentation, I will not attempt to present in detail the idea and the tasks of the Global Ethos Foundation. Founded in 1995 by Hans Küng, this foundation works on the vision of a global change of awareness of ethics. People depend on shared fundamental ethical values for a peaceful coexistence. Hans Küng has shown that such values are to be found in all great religious and philosophical traditions but sometimes must be raised to people's awareness. You will find more details on our homepage.<sup>2</sup>

I do see the concepts of the Global Ethos as an essential approach to overcoming present-day global problems, and I am convinced that everyone who is in a position to make a contribution to the improvement of the world must do so. This is true, as well, for the world of economy. Business companies, most of all those who operate in international competition, need global ethical and intercultural expertise, as well. At the same time, law, including the law of companies, is based on ethical principles and is providing the framework for economy everywhere.

As I have gathered experience in four decades of professional life in the fields of law and justice and, increasingly, also, in the economic sphere, I will try to highlight these two spheres in their intersections with the Global Ethic.

### The Global Ethic Interacts with Law and Economy

#### *Law and Justice*

It has been known from time immemorial that law must be founded on morals. As Horace long ago said: "*Quidquid leges sine moribus.*"<sup>3</sup> However, the precise relationship of ethics and law is, nonetheless, a subject of dispute to this day. The notion of law as an ethical minimum is no longer tenable. On the contrary, in many

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<sup>2</sup> [www.weltethos.org](http://www.weltethos.org)

<sup>3</sup> What good are laws without morals.

respects, legal rights and duties nowadays go far beyond ethical imperatives. At the same time, jurisprudence deals, under the heading “ethicization of the law,” with, for example, the question of whether ethics is not increasingly taking possession of law and watering it down.

When speaking of “law,” most jurists think of their own national legal system. However, the world of jurists is also becoming increasingly global. It is part of a transcultural discourse and is concerned more and more frequently with issues that call for an international perspective. However, this also assumes the need for reflection on the ethical foundations of law in other parts of the world and requires a search for values, which are binding because they are consistent with one another.

On this point, I would like to tell you about my personal, practical experience in international legal exchange and legal dialogue. At the time of German reunification, I was given the task of developing a free democratic legal system and judiciary in Saxony, one of the new federal states. After forty years of communism, two legal and cultural environments that had developed along completely different lines had to be joined together. Later, I was involved in the process of transforming some former Soviet Republics into constitutional states and members of the Council of Europe. Finally, I am entrusted for many years with the project of partnerships between Chinese and German courts, stabilizing the rule of law and modern legal thinking but supporting business and global understanding at the same time, as well.

This kind of work makes little sense and can scarcely be successful if an attempt is not made at the start to find a common value basis. My experience is that this is possible. Values can, in fact, be found with which people all over the world can identify. These are the values that *Hans Küng* has described in his World Ethos Project:

Non-violence and respect for life  
Justice and solidarity  
Honest and tolerance, and  
Mutual esteem and partnership.

On the basis of these common values, it is not only easier to work towards a new legal system. If one works out in principle and feels, as well, how close law professionals are together on fundamental questions, then peaceful, fruitful, and cooperative work becomes possible. I want to show this, as well, in the example of another project I have been working on for several years.

**The partnership between Chinese and German Courts.** On April 27, 2010, the first German-Chinese Court Partnership was established. As then President of the Oberlandesgericht<sup>4</sup>, Stuttgart, I signed at Zhengzhou, capital of the Chinese Province of Henan, together with the President of the High Peoples Court of Justice of this province, a document establishing a formal partnership between the two courts<sup>5</sup>. The differences between the partners seemed to be enormous. Henan is the biggest Chinese province, having more than 100 million inhabitants, whereas the district of my court had only about 7 million citizens. More important, surely, were the differences not only in the details of law, but, as well, in basic constitutional principles.

Nevertheless, there developed rapidly astonishing openness and intensive interest between the two parties, as we didn’t put in front the differences, but the commonalities. Clearly enough, the Chinese people have an

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<sup>4</sup> High Appellate Court.

<sup>5</sup> See China-Report 2011, p. 1.

old and deep inclination to the topic of justice, and, absent a predominating, traditional religious tradition, they are seeking a system of values for orientation. Moreover, some of the principles now recognized as global ethic rules have been first mentioned and elaborated by *Confucius*, such as the so called Golden Rule<sup>6</sup>.

As news spread about this inspiring cooperation, judges from other provinces wanted to be part of it, as well. There was need of a better-organized and broader-financed project. Help came from the Robert Bosch Foundation; together with the GIZ<sup>7</sup>, this remarkable foundation overtook this duty. Now there are already five partnerships between the High Peoples Courts in China and the High Appellate Courts in Germany, each one exchanging each year 10 judges to teach and to learn the other one's points of view, ethics, and solutions. When this article is published, the program will be most probably crowned by a partnership even between the Supreme Courts of both countries.

This project is fine for supporting global understanding. However, it helps, as well, developing the rule of law, ethics-based law, legal certainty, and modern legal thinking. By this means, it helps at the same time making business – internal and in the global exchange – much easier and more stable. Also, it turns out that jurists worldwide have to solve similar problems of living, working, and doing business together. In many cases, they come to quite similar solutions.

**Cultural differences and basic consensus.** Where this is not the case, it is mostly due to the specific understanding of values, which has crystallized in the different cultural environments. Such differences are a matter of course, also, among friends. Take for example the different understanding of data protection and freedom in the USA on the one hand and continental Europe on the other. Even more, there is no denying the fact of a fundamental difference between the understanding of individual rights in east and west, at least since the Enlightenment brought basic change into western thinking. Such differences must be realized and considered open-minded, but without trying to convince the other side that your own way of thinking is better or superior. They do not, however, disprove the existence of a basic stock of values enjoying global validity.

The need to live together in increasingly complex societies requires a minimum of orientation and reliability; that is to say, it requires norms. In the long socio-dynamic process of the humanization of man, value systems have developed everywhere in the world. These include relative values, which have only found recognition in a restricted cultural circle, and, also, values that are common to all mankind. UNESCO awards the title of World Cultural Heritage. The basic stock of values, which all human beings have in common, would have truly deserved this title, as the **World Values Heritage**, is the foundation of every culture.

Such a focus would anchor the values all human beings share even more strongly in the consciousness of mankind. Albert Einstein once said about truth that it resembles a statue that stands in the desert and is continually threatened with burial by the shifting sands. Active hands are needed to dig the statue out and keep it visible. This is also true about our awareness of values. We must reflect on and talk about these values in order to maintain or create a broad awareness of them, as this awareness leads to true tolerance in regard to the differences between people. It is the foundation of international law, enables fruitful discussions with one another, and converts a backward-looking "clash of civilizations" into a peaceful competition between ideas. However, the second sphere of my experience seems to me equally important today.

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<sup>6</sup> Ethic of reciprocity: "Never impose on others what you would not choose for yourself"; similar see, as well, *Laozi* and *Mozi*.

<sup>7</sup> A german governmental organization providing services worldwide in the field of international cooperation for sustainable development (see [www.giz.de](http://www.giz.de))

### ***Economic Ethics***

The Manifesto for a Global Economic Ethic defines a global economic ethic in its preamble as a common fundamental vision of legitimacy, justice, and fairness. It thus explicitly includes the idea of law and its global dimension in the foundations of an economic ethic. This is certainly correct if one considers the immense significance of a continually growing international legal framework for the economy. This fits in with my professional experience, which is not directly concerned with economic ethics but with economic law. I have gathered this experience over a period of 25 years in my activities as a judge, arbitrator, and mediator in problem cases and disputes within and between enterprises and over 15 years as a member of a big company-affiliated foundation, the Robert Bosch Stiftung. There are many quotations from *Robert Bosch*, which could still be included in the foundations of business ethics today. One, which I find particularly congenial, runs: "I would prefer to lose money rather than trust." Less than ten years ago, the global economy slid into a fundamental crisis because increasingly less attention was paid to this sentence in many enterprises. Indeed, they turned it into its opposite. Klaus M. Leisinger (2010) has vividly illustrated this process in his important contribution to business and management ethics in the *Manifesto for a Global Economic Ethic*.

I am far from believing that much can be gained simply by writing codes of conduct and rules of governance. Paper is patient. In some of my cases, I have even taken the liberty of confronting managers involved in disputes with sentences from the bombastic codes on their own home pages. The majority were not even acquainted with them or had obviously never concerned themselves with their importance.

Nonetheless, such rules in written form are indispensable. However, it is not enough to hand their elaboration over to the compliance department or even to a consulting firm. I know one enterprise in which the management board itself drafted a "house of orientations" in workshops without outside assistance and, after discussing it with its staff worldwide, made the corresponding modifications. That is effective.

The "tone from the top" must, however, be sustainable and unambiguous. To this end, one enterprise I know ensured that its staff was regularly acquainted with vivid examples from the enterprise itself. Here is an example: a middle manager had the task of "landing" an important contract. He received an unethical proposal from an employee of the other side, namely information that would guarantee the award of the contract in return for cash. He did not accept, but reported back to his superiors. The enterprise decided to back out of the competition for the contract. The staff member was not only treated as if he had won the contract, but was also promoted.

### **On the Way to Implementation**

This enterprise and this staff member obviously possess what *Patricia Werhane* calls "*moral imagination*," the ability to overcome an intellectual confinement to the direct maximization of profits. What matters is that this should not be a single case. If there were only one enterprise involved in global competition that behaved in a strictly ethical way, it would probably soon go bankrupt. Conversely, the more enterprises of this kind there are, preferably spread out over as many parts of the world as possible, the easier moral behavior will be in regard to its economic consequences and the more likely it will become the standard with the resulting pulling effects on other enterprises.

Along this road, the law makes a necessary contribution. Everywhere in the world, there are strict and often very detailed and complicated legal regulations on compliance. In all the states that I know, for example, corruption is subject to penalties, which are sometimes draconian. As has been said, this is necessary so that

the law can be rigidly implemented. However, it is obviously not sufficient. The example of corruption alone is an adequate proof of this.

Josef Wieland (2010) has shown how much the formal control must be supplemented by informal mechanisms. Ethical principles must provide the stable foundation for all compliance. They can be felt and lived, as we can rediscover them in ourselves and in our consciences. If the rules are designed to apply to a global economy, they may not simply absolutize the thinking of one cultural circle but must credibly claim validity throughout the world. The *Manifesto Global Economic Ethic* achieves this goal by invoking the principles of a global ethics.

The problem of implementation remains. We must think about it constantly, and we must work for it - also at this congress. It is a huge challenge, but there is no cause for resignation. Enterprises are learning entities. More and more of them are drawing the right conclusions from moral aberrations, which sooner or later lead to a financial disaster. We are thankful to scientists like yourselves to whom we owe precise methods, which can help us. What is more, the words of Albert Schweitzer (1923) are still valid today, with which I would like to end:

Those who wish to promote our thinking on ethics in some way are working on the coming of prosperity and peace in the world. They are pursuing higher forms of politics and national economy. And if their abilities only suffice to bring back ethical reflection again, then they have already achieved something important. All reflection on ethics leads to an elevation and stimulation of ethical convictions.

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